

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- The advance estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated an annual growth rate of 1.1% in the fourth quarter of 2005, compared with growth of 4.1% during the third quarter. The decline in the growth rate reflected slower growth in most sectors, particularly personal consumption expenditures, largely reflecting slower automobile sales, and government spending, reflecting slower defense spending. Imports also rose at a faster rate, but the impact on GDP was offset by increases in business inventories.
- **Retail sales** rose in December from November levels, with motor vehicle sales exhibiting the most rapid growth, at 2.6%, as the “payback” from last summer’s incentive programs appeared to be winding down. Sales at gasoline stations rose 0.9%, but because gas prices have remained high, sales are still 17.9% above the year-ago level. Despite the holiday season a number of sectors, including merchandise, electronics/appliances, furniture, and building material stores, all experienced sales declines between November and December.
- **Corporate profits** fell in the third quarter of 2005 by \$54.4 billion, the largest decline since the third quarter of 2001, when the economy was nearing the recession’s trough. The decline was almost exclusively the result of lower profits in financial businesses, which posted the second worst quarter since the fourth quarter of 2001. Corporate profits in the financial sector fell by almost \$100.0 billion over the second and third quarters of 2005. Despite manufacturing’s difficulties during the current recovery, corporate profits rose in all manufacturing sectors except the motor vehicle manufacturing sector.
- Although **motor vehicle sales** rose in December from November’s levels, auto sales were 5.1% below the year-ago level, while light truck sales were down 3.4%. This pattern was consistent across both imports and domestically manufactured vehicles. However, heavy truck sales rose 4.3% in December and were 3.9% above the year-ago level.



- Michigan’s **unemployment rate** increased to 6.7% in December, although the level suggested that 2005 may be the first year since 2000 that the annual unemployment rate fell from the level in the prior year. Compared with year-ago levels, 40,000 fewer people were unemployed while total employment was up by 86,000 jobs. However, payroll employment was down by 24,000 jobs.
- **Average weekly earnings** were above year-ago levels in most sectors during December, with motor vehicle manufacturing, auto repair/maintenance, and personal/laundry services the primary exceptions. In the case of the motor vehicle manufacturing sector, the decline reflected a 3.6% drop in average weekly hours from 46.7 to 45.0 hours per week.
- The **Detroit Consumer Price Index (CPI)** fell at an annual rate of 8.0% between October and December, largely reflecting lower energy prices. However, compared with December 2004, the index was up 3.8%. On an annual basis, the index rose 2.9% in 2005, the largest increase since 2000, when it rose 3.6%.



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Prepared by:
David Zin
Economist

U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

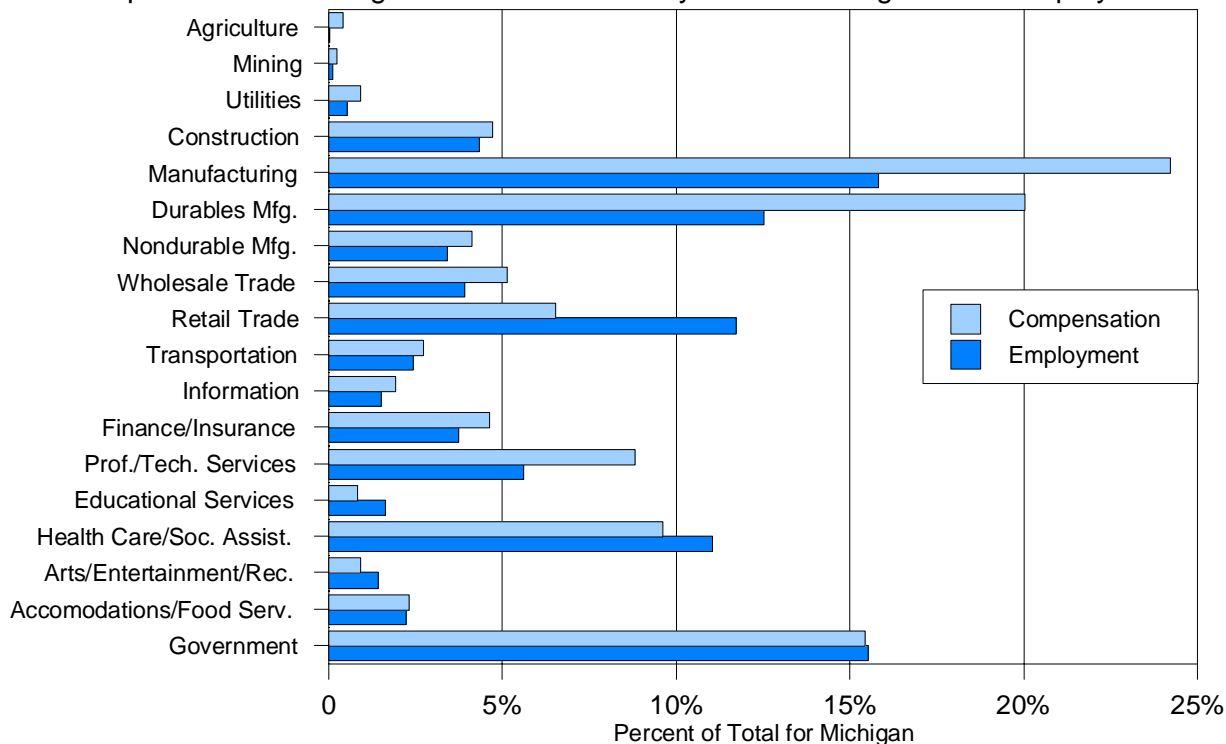
U.S.	Dec. 2005	Nov. 2005	Dec. 2004	Change from Nov.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	150,153	150,183	148,173	(30)	0.0%	1,980	1.3%
Employment	142,779	142,611	140,133	168	0.1	2,646	1.9
Unemployment	7,375	7,572	8,040	(197)	(2.6)	(665)	(8.3)
Unemployment Rate	4.9%	5.0%	5.4%	---	---	---	---

Michigan	Dec. 2005	Nov. 2005	Dec. 2004	Change from Nov.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,139	5,134	5,093	4	0.1%	46	0.9%
Employment	4,795	4,797	4,708	(2)	(0.0)	86	1.8
Unemployment	344	338	384	7	1.9	(40)	(10.5)
Unemployment Rate	6.7%	6.6%	7.5%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Employment and Compensation By Sector, 2004

Compensation in Michigan More Dominated by Manufacturing Than Is Employment



Source: Bureau of Economic Analysis, U.S. Dept. of Commerce & Bureau of Labor Statistics, U.S. Dept. of Labor

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Dec. 2005*	Nov. 2005	Dec. 2004	<u>Change from Nov.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,363	4,353	4,387	10	0%	(24)	(1)%
Goods Producing Industries	866	865	887	1	0	(21)	(2)
Natural Resources & Mining	8	8	8	0	1	0	5
Construction	188	188	188	(1)	(0)	(1)	(0)
Manufacturing	670	669	690	1	0	(21)	(3)
Transportation Equipment	239	237	252	2	1	(13)	(5)
Service Producing Industries	3,497	3,488	3,500	9	0	(3)	(0)
Trade, Transportation & Utilities	801	800	809	1	0	(8)	(1)
Information	64	64	67	0	0	(3)	(4)
Financial Activities	219	219	219	(0)	(0)	0	0
Professional & Business Services	593	588	585	5	1	8	1
Education & Health Services	554	557	553	(3)	(0)	1	0
Leisure & Hospitality Services	408	408	403	0	0	5	1
Other Services	183	181	178	2	1	4	2
Government	676	672	688	4	1	(12)	(2)

Source: Bureau of Labor Statistics, U.S. Department of Labor

* Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Dec. 2005	Year Ago	Percent Change	Dec. 2005	Year Ago	Percent Change
Construction	37.5	37.0	1.4%	\$842.63	\$818.81	2.9%
Manufacturing	42.9	43.2	(0.7)	944.66	945.65	(0.1)
Durable Goods	43.7	44.0	(0.7)	1,031.76	1,030.92	0.1
Motor Vehicle Manufacturing	45.0	46.7	(3.6)	1,423.35	1,472.45	(3.3)
Motor Vehicle Parts Manufacturing	43.8	45.2	(3.1)	1,257.06	1,253.40	0.3
Nondurable Goods	39.9	39.9	0.0	614.46	600.89	2.3
Wholesale Trade	39.0	37.2	4.8	742.56	715.73	3.7
Retail Trade	30.4	30.1	1.0	360.24	342.84	5.1
Grocery Stores	25.8	23.8	8.4	220.07	214.44	2.6
General Merchandise Stores	30.6	30.5	0.3	316.10	311.41	1.5
Information	35.2	36.6	(3.8)	710.34	627.69	13.2
Financial Activities	34.8	33.6	3.6	619.79	557.42	11.2
Prof. & Business Services	34.2	34.3	(0.3)	635.09	618.43	2.7
Health Care & Social Assistance	33.0	35.0	(5.7)	541.86	531.65	1.9
Leisure & Hospitality	23.0	22.6	1.8	199.41	181.93	9.6
Auto. Repair & Maintenance	34.9	34.7	0.6	518.61	558.32	(7.1)
Personal & Laundry Services	25.0	26.8	(6.7)	284.75	333.12	(14.5)

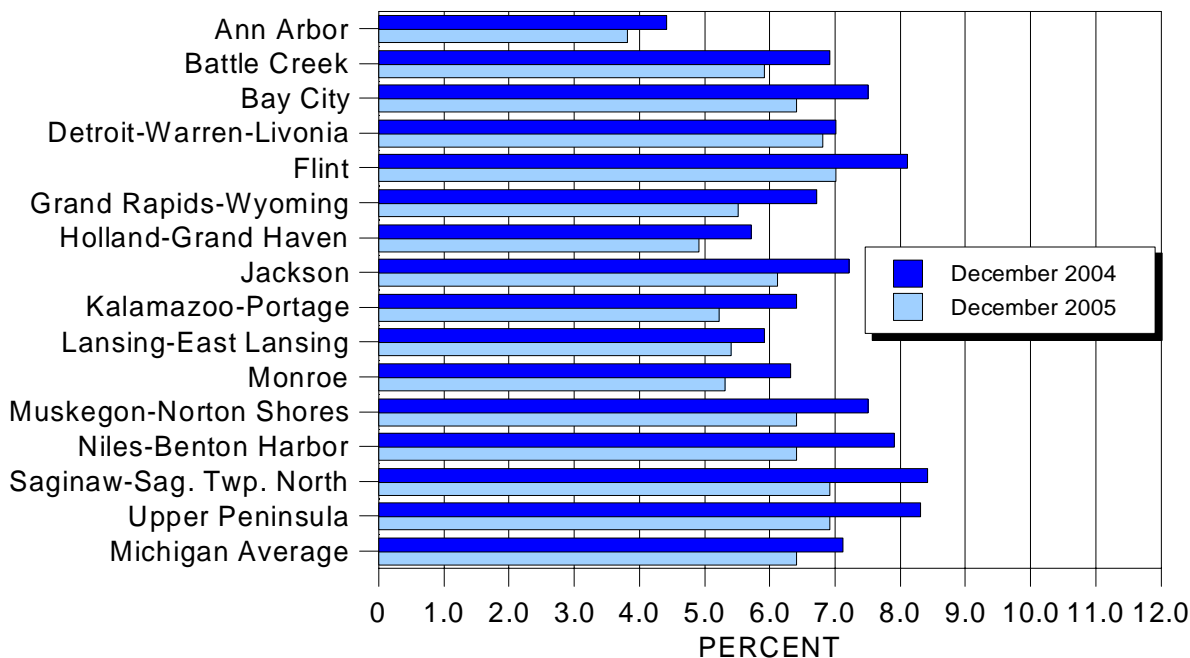
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	Dec. 2005*	Nov. 2005	Oct. 2005	Dec. 2004
Metropolitan Statistical Areas				
Ann Arbor	3.8%	3.8%	3.3%	4.4%
Battle Creek	5.9	5.8	5.1	6.9
Bay City	6.4	5.9	5.1	7.5
Detroit-Warren-Livonia	6.8	6.8	6.0	7.0
Flint	7.0	6.8	6.0	8.1
Grand Rapids-Wyoming	5.5	5.3	4.7	6.7
Holland-Grand Haven	4.9	4.6	4.0	5.7
Jackson	6.1	5.9	5.2	7.2
Kalamazoo-Portage	5.2	4.9	4.3	6.4
Lansing-East Lansing	5.4	5.3	4.7	5.9
Monroe	5.3	5.2	4.7	6.3
Muskegon-Norton Shores	6.4	6.2	5.6	7.5
Niles-Benton Harbor	6.4	6.0	5.3	7.9
Saginaw-Saginaw Twp North	6.9	6.7	5.9	8.4
Multi-County Areas				
Northeast Lower Michigan	8.8	7.4	5.4	10.2
Northwest Lower Michigan	6.9	6.1	4.7	8.2
Upper Peninsula	6.9	6.0	4.5	8.3
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.4	6.2	5.3	7.1
Source: Michigan Department of Labor and Economic Growth				*Preliminary

Michigan Regional Unemployment Rates

December 2004 and December 2005



Source: Michigan Department of Labor and Economic Growth

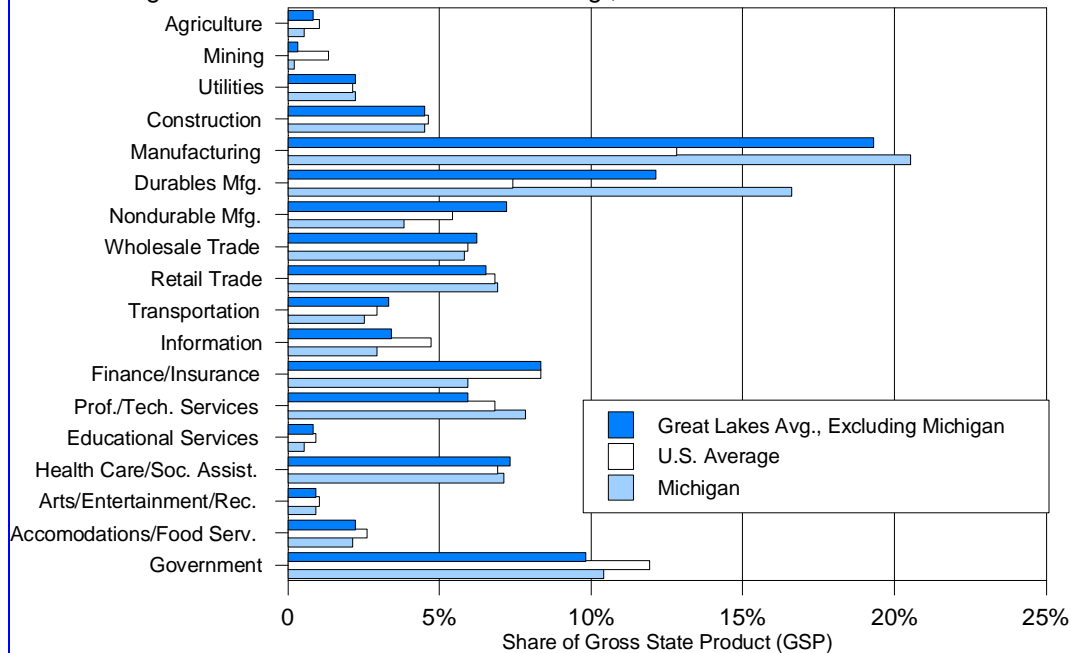
**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)**

	Dec. 2005	Nov. 2005	Oct. 2005	Sept. 2005	Year Ago Dec.	Percent Change From:	
						Dec./Nov.	Dec. 2005/ Dec. 2004
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,664	7,572	7,325	7,990	8,078	1.2%	(5.1)%
Domestics	5,545	5,522	5,189	5,734	5,784	0.4	(4.1)
Imports	2,119	2,050	2,136	2,256	2,294	3.4	(7.6)
Import Share	27.6%	27.1%	29.2%	28.2%	28.4%	---	---
Light Trucks	9,481	8,126	7,374	8,352	9,812	16.7	(3.4)
Domestics	8,196	6,985	6,237	7,267	8,468	17.3	(3.2)
Imports	1,285	1,141	1,137	1,085	1,344	12.6	(4.4)
Import Share	13.6%	14.0%	15.4%	13.0%	13.7%	---	---
Heavy Trucks	534	512	489	501	514	4.3	3.9
Total	17,679	16,210	15,188	16,843	18,404	9.1	(3.9)
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,296	4,438	4,400	4,356	4,298	(3.2)	(0.1)
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,258	1,153	1,111	1,146	1,415	9.1	(11.1)
Trucks	1,221	1,016	1,077	1,449	1,542	20.2	(20.8)
Total	2,480	2,169	2,188	2,595	2,957	14.3	(16.1)
Michigan Production as % of U.S.	21.2%	19.0%	18.8%	17.8%	23.7%	----	----
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,396	1,333	1,233	1,146	1,589	4.7	(12.1)
Days Supply	58	59	54	42	64	(1.7)	(9.4)
Total Truck	2,209	2,294	2,150	1,948	2,327	(3.7)	(5.1)
Days Supply	71	96	100	74	72	(26.0)	(1.4)

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)

Composition of 2004 Gross State Product, By Sector

Michigan More Concentrated in Durable Mfg., Less In Information & Education



Source: Bureau of Economic Analysis, U.S. Department of Commerce

OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	Dec	134.7	134.6	133.2	0.1%	1.1%
Coincident Index ¹⁾ (1992=100)	Dec	148.2	147.9	146.0	0.2	1.5
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Dec	1,933	2,121	2,050	(8.9)	(5.7)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Dec	\$322.7	\$320.4	\$303.7	0.7	6.3
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	Dec	109.8	109.1	106.7	0.6	2.8
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	Dec	80.7	80.3	79.7	0.5	1.2
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Dec	197.7	197.8	191.2	(0.6)	3.4
Detroit (not seasonally adjusted)	Dec	192.4	195.1	185.3	(8.0)	3.8
Interest Rates						
3-month Treasury Bill ³⁾	Dec	3.90%	3.90%	2.20%	---	---
Corporate Aaa Bonds ³⁾	Dec	5.37%	5.42%	5.47%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2005 4th Qtr.	\$11,233.5	\$11,202.3	\$10,897.1	1.1	3.1
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Dec 2005	\$1,578.0	\$1,687.0	\$1,644.7	NM	(4.1)

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

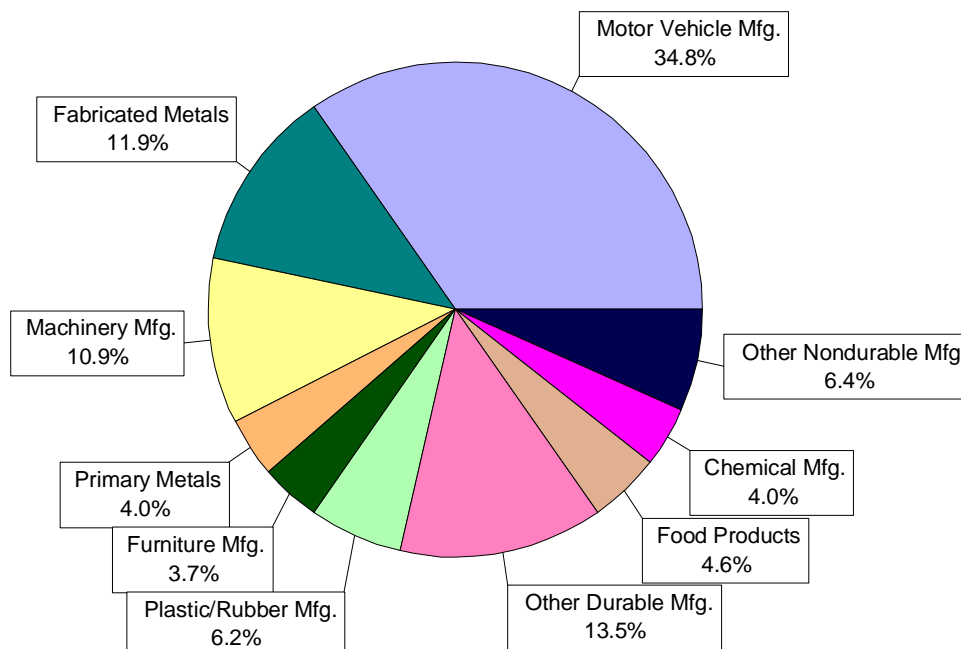
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

More Than 1/3 of Michigan Mfg. Jobs in Motor Vehicle Mfg.

Many Other Mfg. Jobs Are in Sectors Closely Linked to Vehicle Mfg.



Source: Bureau of Economic Analysis, U.S. Department of Commerce, 2004 data